

AKRON CARE CENTER, INC.

INDEPENDENT AUDITORS' REPORT  
BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
AND SCHEDULE OF FINDINGS

JUNE 30, 2009 AND 2008



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\* \* \* \* \*

AKRON CARE CENTER, INC.

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Brad Britton	President	Dec 2011
Dan Rexwinkel	Vice President	Dec 2011
Iola Frerichs	Secretary	Dec 2009
Tami Small	Member	Dec 2009
Casey Meinen	Member	Dec 2011
Gail Olson	Administrator	Indefinite



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Akron Care Center, Inc.  
Akron, Iowa

We have audited the accompanying statement of net assets of Akron Care Center, Inc., a component unit of the City of Akron, Iowa, as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, which collectively comprise the Care Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Akron Care Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Akron Care Center, Inc. as of June 30, 2008, were audited by other auditors whose report dated September 5, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Akron Care Center, Inc. as of June 30, 2009 and the respective changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2009 on our consideration of Akron Care Center Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Budgetary Comparison Information on page 14 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Boards. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Akron Care Center, Inc. has not presented management's discussion and analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of the basic financial statements.

*Williams & Company PC*  
Certified Public Accountants

Onawa, Iowa  
December 8, 2009

AKRON CARE CENTER, INC.

AKRON CARE CENTER, INC.

STATEMENTS OF NET ASSETS

JUNE 30, 2009 AND 2008

ASSETS

	2009	(Restated) 2008
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 98,024	\$ 19,573
Board Designated Cash	39,546	4,062
Investments	9,213	20,524
Accounts Receivable (Less Allowance for Doubtful Accounts \$10,200 and \$2,000 for 2009 and 2008)	102,425	86,039
Supplies Inventory		1,408
Prepaid Expenses	9,917	10,287
Total Current Assets	259,125	141,893
<u>NON-CURRENT ASSETS</u>		
Land	23,004	23,004
Other Capital Assets Being Depreciated -Note 4	2,057,922	2,048,705
Less Accumulated Depreciation	(1,230,884)	(1,189,900)
Total Noncurrent Assets	850,042	881,809
Total Assets	1,109,167	1,023,702

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	34,029	20,179
Accrued Salaries Payable	55,290	52,329
Payroll Taxes Payable	12,206	11,259
Accrued Compensated Absences Payable - Current	18,250	21,031
Accrued Interest Payable	3,875	
Operating Note - Current - Note 5	12,000	60,000
Current Maturities of Long-Term Debt - Note 6	18,674	67,127
Total Current Liabilities	154,324	231,925

NON-CURRENT LIABILITIES

Accrued Compensated Absences Payable - Long-Term	54,751	63,092
Operating Note - Long-Term - Note 5	148,000	
Note Payable Due in more than one year - Note 6	347,659	312,160
Total Non-Current Liabilities	550,410	375,252
Total Liabilities	704,734	607,177

NET ASSETS

Invested in Capital Assets, Net of Related Debt	483,709	502,522
Unrestricted (Deficit)	(79,276)	(85,997)
Total Net Assets	\$ 404,433	\$ 416,525

See Accompanying Notes to Financial Statements

AKRON CARE CENTER, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2009 AND 2008

	2009	(Restated) 2008
<u>OPERATING REVENUES</u>		
Patient and Resident Revenue	\$ 1,795,337	\$ 1,718,529
Meals	5,539	1,428
Miscellaneous Income	4,843	8,395
Total Operating Revenues	1,805,719	1,728,352
<u>OPERATING EXPENSES</u>		
Administrative Expenses	384,394	384,501
Dietary Services	240,906	256,226
General Services	167,812	205,840
Patient Care Services	895,317	919,843
Depreciation	20,069	24,052
Apartments - Village South	32,486	42,617
Apartments - Village North	105,165	85,433
Total Operating Expenses	1,846,149	1,918,512
<u>OPERATING (LOSS)</u>	(40,430)	(190,160)
<u>NON-OPERATING REVENUES AND EXPENSES</u>		
Donations	39,465	106,879
Investment Income	184	
Unrealized (Loss) on Investments	(11,311)	(7,928)
Total Non-Operating Revenues	28,338	98,951
Changes in Net Assets	(12,092)	(91,209)
Net Assets at Beginning of Year	416,525	507,734
Net Assets at End of Year	\$ 404,433	\$ 416,525

See Accompanying Notes to Financial Statements



AKRON CARE CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	2009	(Restated) 2008
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Patient and Resident Services	\$ 1,778,951	\$ 1,742,128
Cash Paid to Suppliers for Goods and Services	(424,565)	(516,487)
Cash Paid to Employees for Services	(1,345,550)	(1,322,140)
Other Operating Revenues	10,382	9,823
Interest Paid on Bank Note Payable	(14,240)	(12,622)
Net Cash Provided (Used) By Operating Activities	4,978	(99,298)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Donations Received	39,465	106,879
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and Construction of Capital Assets	(17,738)	(7,001)
Proceeds from Operating Note Payable	100,000	
Proceeds from Loan Payable	375,000	
Principal Paid on Bank Note Payable	(387,954)	(54,720)
Net Cash Provided (Used) By Capital and Related Financing Activities	69,308	(61,721)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	184	52
Net Increase (Decrease) in Cash and Cash Equivalents	113,935	(54,088)
Cash and Cash Equivalents at Beginning of Year	23,635	77,723
Cash and Cash Equivalents at End of Year	<u>\$ 137,570</u>	<u>\$ 23,635</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</u>		
Cash and Cash Equivalents	\$ 98,024	\$ 19,573
Board Designated Cash	39,546	4,062
Total Cash and Cash Equivalents	<u>\$ 137,570</u>	<u>\$ 23,635</u>

(Continued)

Supplemental Disclosure

Non-Cash Activities

Unrealized Loss for the years ended June 30, 2009 and 2008 were \$11,310 and \$7,928, respectively.

AKRON CARE CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

(Continued)

	2009	(Restated) 2008
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating Loss	(40,430)	(190,160)
Adjustments to Reconcile Operating Loss to		
Net Cash Provided (Used) By Operating Activities:		
Bad Debt Expense	8,200	
Depreciation	49,505	54,572
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(24,586)	23,599
Decrease in Supplies Inventory	1,408	2,007
(Increase) Decrease in Prepaid Expenses	370	(860)
Increase (Decrease) in Accounts Payable	13,850	(10,833)
Increase in Accrued Salaries Payable	2,961	7,438
Increase in Payroll Taxes Payable	947	11,259
Increase (Decrease) in Accrued Compensated Absences Payable	(11,122)	3,680
Increase in Accrued Interest Payable	3,875	
Total Adjustments	45,408	90,862
Net Cash Provided (Used) By Operating Activities	<u>\$ 4,978</u>	<u>\$ (99,298)</u>

See Accompanying Notes to Financial Statements

AKRON CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

Note 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization is a component unit of the City of Akron, Iowa established to provide and maintain health care facilities, and to promote the general health of the community. The Care Center is governed by a Board of Trustees in accordance with Chapter 392 of the Code of Iowa and Akron City Ordinance. Prior to July 1, 1986, the Care Center operated as Akron City Hospital. The facility changed its name during the year from Akron City Convalescent Care Center to Akron Care Center, Inc.

Akron Care Center, Inc. is licensed as a nursing facility with a bed capacity of 48 beds. Substantially all of the Care Center's patients and residents are local residents and a majority of them are entitled to benefits under the Medicaid/Title XIX program. Akron Care Center, Inc. also operates two senior living apartment complexes separate from the licensed facility.

Akron Care Center, Inc.'s financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Akron Care Center, Inc. has included all funds, organizations, agencies, boards, commissions and authorities. The Care Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Care Center are such that exclusion would cause the Care Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Akron Care Center, Inc. to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Akron Care Center, Inc. Akron Care Center, Inc. has no component units which meet the Governmental Accounting Standards Board criteria. Akron Care Center, Inc. is a component unit of the City of Akron, Iowa.

B. Basis of Presentation

The accounts are organized as a single special purpose government and accounted for as a business-type activity. Business-type activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Akron Care Center, Inc. applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

AKRON CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

Note 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Cont.)

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash and Cash Equivalents – Akron Care Center, Inc. considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Accounts Receivable – Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all individual patent balances.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by Akron Care Center, Inc. as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Buildings and Improvements	\$ 5,000
Equipment and Vehicles	1,000

Capital assets of Akron Care Center, Inc. are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	10 - 50
Equipment and Vehicles	3 - 25

Interest is capitalized on qualified assets with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2009 and 2008.

AKRON CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

**Note 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Cont.)

**F. Statement of Revenues, Expenses and Changes in Net Assets**

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses.

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers and a provision for uncollectable accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**G. Statement of Revenues, Expenses and Changes in Net Assets**

Revenue from services provided to Medicaid (Title XIX) nursing care patients under an agreement with the Iowa Department of Human Services is recorded at reimbursement rates determined by the Department. These rates are below the Care Center's established rates.

**Note 2 - CASH AND INVESTMENTS**

The Care Center's deposits in banks at June 30, 2009 and 2008 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

A Health Care Facility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; common stock; perfected repurchased agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

At June 30, 2009 and 2008 the Care Center had the following investment:

**June 30, 2009**

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Principal Financial Group, Inc. Common Stock	\$ 9,213	None

**June 30, 2008**

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Principal Financial Group, Inc. Common Stock	\$ 20,524	None

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Care Center does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk** – The Care Center has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss on public funds. However, the common stock is subject to fluctuation in market activity.

AKRON CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

**Note 4 – CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2009 and 2008 was as follows:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Fiscal year ended June 30, 2009:				
Capital assets not being depreciated:				
Land	\$ 23,004			\$ 23,004
Capital assets being depreciated:				
Building and improvements	1,802,247	\$ 5,221	\$ (1,045)	1,806,423
Equipment and furnishings	246,458	12,509	(7,468)	251,499
Total capital assets being depreciated	2,048,705	17,730	(8,513)	2,057,922
Less accumulated depreciation for:				
Building and improvements	973,574	40,615	(1,045)	1,013,144
Equipment and furnishings	216,326	8,882	(7,468)	217,740
Total accumulated depreciation	1,189,900	49,497	(8,513)	1,230,884
Total capital assets being depreciated, net	858,805	(31,767)	-	827,038
Total capital assets, net	\$ 881,809	\$ (31,767)	\$ -	\$ 850,042
Fiscal year ended June 30, 2008:				
Capital assets not being depreciated:				
Land	\$ 23,004			\$ 23,004
Capital assets being depreciated:				
Building and improvements	1,817,216		\$ (14,969)	1,802,247
Equipment and furnishings	258,361	\$ 7,001	(18,904)	246,458
Total capital assets being depreciated	2,075,577	7,001	(33,873)	2,048,705
Less accumulated depreciation for:				
Building and improvements	947,058	41,485	(14,969)	973,574
Equipment and furnishings	222,143	13,087	(18,904)	216,326
Total accumulated depreciation	1,169,201	54,572	(33,873)	1,189,900
Total capital assets being depreciated, net	906,376	(47,571)	-	858,805
Total capital assets, net	\$ 929,380	\$ (47,571)	\$ -	\$ 881,809

AKRON CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

**Note 5 – OPERATING NOTE**

At July 1, 2008, Akron Care Center, Inc. owed \$60,000 to the City of Akron, this was due on demand. No payments were made to the City of Akron during the year ended June 30, 2009 and 2008. In February 2009, this note was converted to a long-term note with a maturity date of August 2013, interest rate of 0.00% and no set payment schedule determined. If no payments are made during the term of the note, the Care Center has the ability to renegotiate the terms of the note. Based upon the present cash flow, management doesn't expect to make any payments in the next fiscal year.

Also during February 2009, the City of Akron advanced to Akron Care Center, Inc. an additional \$100,000 to cover operating expenses. The Care Center made payments of \$1,000 to the City of Akron during the year ended June 30, 2009 resulting in an outstanding balance of \$100,000 which is due on demand. The terms are as follows: the note is due in September 2013, interest rate of 4.50% and no set payment schedule determined. Management plans on making payments of \$1,000 per month.

The following are the long-term debt maturities over the future fiscal years ending June 30:

<u>Year Ending June 30,</u>	<u>Principal Note #1</u>	<u>Principal Note #2</u>	<u>Interest</u>	<u>Total</u>
2010		\$ 12,000	\$ 4,002	\$ 41,139
2011		12,000	2,985	41,139
2012		12,000	1,921	41,139
2013		12,000	808	41,139
2014	\$ 60,000	52,000	23	4,183
<b>Total</b>	<b>\$ 60,000</b>	<b>\$ 100,000</b>	<b>\$ 9,739</b>	<b>\$ 168,739</b>

	<u>2009</u>	<u>2008</u>
Total Operating Note	\$ 160,000	\$ -
Less: Current Maturities	<u>12,000</u>	<u>60,000</u>
Balance due, Total Operating Note – Long Term	<u>\$ 148,000</u>	<u>\$ 60,000</u>

**Note 6 - LONG-TERM DEBT**

Long-term debt consists of a note payable to Peoples Bank with an original principal of \$625,000. The note financed the construction of the Village North Apartment Complex, an 8-unit senior living facility completed in December 2003. The note is payable in 120 equal monthly installments of \$6,122 including interest at 3.30%. The note shall be payable solely and only out of the net revenue of the Care Center and shall be a first lien on the future net revenues of the Care Center. The note was refinanced on November 24, 2008 for \$375,000 which is payable in 180 equal monthly installments of \$2,823 including interest at 4.25%.

A summary of long-term debt at June 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Note Payable – Peoples Bank .....	\$ 366,333	\$ 379,287
Less current portion .....	<u>18,674</u>	<u>67,127</u>
	<u>\$ 347,659</u>	<u>\$ 312,160</u>

AKRON CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

**Note 6 - LONG-TERM DEBT (Cont.)**

The following are the long-term debt maturities over the future fiscal years ending June 30:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	4.25%	\$ 18,674	\$ 15,205	\$ 33,879
2011	4.25%	19,483	14,396	33,879
2012	4.25%	20,306	13,573	33,879
2013	4.25%	21,229	12,650	33,879
2014	4.25%	22,128	11,751	33,879
2015 - 2019	4.25%	125,880	43,516	169,396
2020 - 2024	4.25%	138,633	13,921	152,554
Total		<u>\$ 366,333</u>	<u>\$ 125,012</u>	<u>\$ 491,345</u>

**Note 7 - OPERATING LEASES**

The Care Center leases various equipment under operating leases. Rental expense under these leases was \$2,273 and \$2,120 for the years ended June 30, 2009 and 2008, respectively.

**Note 8 - RELATED PARTY TRANSACTIONS**

The Care Center purchases its electricity, water, sewer and garbage services from the City of Akron's municipal utility. The total amounts purchased for the years ended June 30, 2009 and 2008 were \$30,485 and \$30,705, respectively. In addition, the Care Center received cash donations of \$39,465 and \$106,879 for the years ended June 30, 2009 and 2008, respectively.

**Note 9 - PENSION AND RETIREMENT BENEFITS**

The Care Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which as established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the Care Center is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. The Care Center's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$68,995, \$67,633 and \$61,853, respectively, equal to their required contributions for each year.

**Note 10 - RISK MANAGEMENT**

The Care Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Care Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Care Center's workers' compensation insurance coverage is purchased from an association of Iowa long-term care providers. The program includes a minimum contribution to cover projected claims and administration costs as well as a potential maximum contribution level. If a member's actual claims for any policy year exceed the claim fund amount included in the minimum contribution, after adjustment for actual payrolls, the member is required to contribute the excess, up to the stated maximum contribution.



AKRON CARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

Note 10 – RISK MANAGEMENT (Cont.)

Losses for claims in excess of the minimum contributions to the claim fund are accrued when information provided by the Association indicates an assessment is probable and can be reasonably estimated. At June 30, 2009, there were no claims in excess of the minimum contributions to the claim fund.

Note 11 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to beginning of the year net assets on the Statements of Activities and Changes in Net Assets to record the contribution of common stock at July 1, 2007. The increase to the beginning of the year net assets was as follows:

Beginning Fund Balance – July 1, 2007	\$ 479,282
Prior Period Adjustment	<u>28,452</u>
Restated Beginning Fund Balance – July 1, 2007	\$ <u>507,734</u>



REQUIRED SUPPLEMENTARY INFORMATION



AKRON CARE CENTER, INC.

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES

AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL (CASH BASIS)

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Budgeted Amounts		Final to Actual Cash Basis Variance
				Original	Amended	
<u>OPERATING REVENUES</u>						
Charges for Fees, Services and Loans	\$ 1,845,184	\$ 458,614	\$ 2,303,798	\$ 1,868,344	\$ 1,868,344	\$ 435,454
<u>OPERATING EXPENSES</u>						
Business Type Expenditures and Principal Payments	1,846,149	343,714	2,189,863	1,868,344	1,868,344	(321,519)
<u>NONOPERATING EXPENSES</u>	11,127	(11,127)	-	-	-	-
<u>NET CHANGE IN NET ASSETS</u>	(12,092)	126,027	113,935	-	-	756,973
<u>BALANCE BEGINNING OF YEAR</u>	416,525	(392,890)	23,635	101,352	101,352	(77,717)
<u>BALANCE END OF YEAR</u>	<u>\$ 404,433</u>	<u>\$ (266,863)</u>	<u>\$ 137,570</u>	<u>\$ 101,352</u>	<u>\$ 101,352</u>	<u>\$ 679,256</u>

See Accompanying Notes to Financial Statements

AKRON CARE CENTER, INC.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-  
BUDGETARY REPORTING

JUNE 30, 2009

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Care Center on the accrual basis of accounting. The Akron Care Center submits the adopted budget to the City of Akron where it is incorporated within the City of Akron's certified budget. The City of Akron is responsible for following the requirements of public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The City of Akron's Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

For the year ended June 30, 2009, the Care Center's expenditures exceeded the amount budgeted; however, it is part of the business-type activities budget and for budgeting purposes we compare the actual expenditures for the entire City of Akron to the total business-type activities budget.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS





INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of  
Akron Care Center, Inc.

We have audited the financial statements of Akron Care Center, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated December 8, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Akron Care Center Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Akron Care Center Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Akron Care Center, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Akron Care Center, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Akron Care Center, Inc. that is more than inconsequential will not be prevented or detected by Akron Care Center, Inc.'s internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Akron Care Center, Inc.'s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Akron Care Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Akron Care Center, Inc.'s operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Care Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Akron Care Center, Inc.'s responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Care Center's responses, we did not audit Akron Care Center, Inc.'s responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information of and use of the officials, employees and constituents of Akron Care Center and other parties to whom Akron Care Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Akron Care Center, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Willsons & Company PC*  
Certified Public Accountants

Onawa, Iowa  
December 8, 2009

AKRON CARE CENTER, INC.

SCHEDULE OF FINDINGS

JUNE 30, 2009

Findings related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-09     Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation – An individual who does not have access to the accounting records should prepared the initial cash receipts listing at the time of opening the mail. This listing should be compared to the cash receipts journal and the bank deposits on a periodic basis by the Administrator or some other accountant.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager review receipts, posting, and payroll on a test basis.

Conclusion – Response accepted.

- I-B-09     Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the Care Center's financial statements. Adjustments were subsequently made by the Care Center to properly include these amounts in the financial statements.

Recommendation – The Care Center should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Care Center's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (A)     Questionable Expenses – No questionable expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (B)     Travel Expense – No disbursements of money for travel expenses of spouses of Care Center officials or employees were noted.
- (C)     Board Minutes – No transactions were found that we believe should have been approved in the Care Center's minutes but were not.
- (D)     Deposits and Investments – In accordance with Chapter 12C.2 of the Code of Iowa, Akron Care Center, Inc. is required to have a written resolution approving each depository and the maximum amount which may be kept on deposit. During our audit, we were unable to be provided with such resolution by Akron Care Center, Inc.

AKRON CARE CENTER, INC.

SCHEDULE OF FINDINGS (Contd.)

JUNE 30, 2009

Recommendation – A resolution in an amount sufficient to cover the anticipated balance at the approved depository should be adopted by the Board

Response – Akron Care Center, Inc. shall designate by resolution, which shall be entered in the official minutes of the board, the names and location of the financial institutions selected as the official agency depository or depositories.

Conclusion – Response accepted.

- (E) Business Transactions – No business transactions were noted between the Care Center and Care Center officials.
- (F) Budget – Expenditures during the year ended June 30, 2009 exceeded the amount budgeted; however, it is part of the business-type activities budget and for budgeting purposes we compare the actual expenditures for the entire City of Akron to the total business-type activities budget.
- (G) Donation of Equipment – Akron Care Center, Inc. accepted a donation of a 1995 van which was valued at approximately \$1,700. During our audit we found that the Care Center is subject to the special vehicle documentation and contribution acknowledgement rules for the donative receipt of the 1995 van.

Recommendation – Akron Care Center, Inc. should implement tracking procedures for donated equipment and file a Form 1098-C document to report vehicle donations and serve as written acknowledgement of the contribution.

Response – Akron Care Center, Inc. will implement a tracking system for donated equipment and will file the appropriate forms for acknowledging such contributions.

Conclusion – Response accepted.

- (H) Rates and Charges – In accordance with Chapter 384.84 of the Code of Iowa, Akron Care Center, Inc. is required to establish rates by resolution of the board of trustees. During our audit we found no such resolution for rate increases.

Recommendation – A resolution for increases in rates should be established and approved by the board of trustees.

Response – Akron Care Center, Inc. shall approve rate increases by resolution, which shall be entered in the official minutes of the board.

Conclusion – Response accepted.